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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
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Legislative Budget
Office

H.B. 87
136th General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 87's Bill Analysis](#)

Version: As Introduced

Primary Sponsors: Reps. Click and Klopfenstein

Local Impact Statement Procedure Required: Yes

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Highlights

- The bill expands the list of child care items exempt from the sales and use tax (SUT) to include infant clothing, infant toys, bassinets, crib and bassinet sheets and blankets, play yards, pacifiers, teething rings, baby monitors, and breastfeeding items.
- The definition of a dependent is also expanded under the bill to include conceived children; this allows pregnant taxpayers to claim an exemption against the personal income tax (PIT) ranging from between \$2,000 and \$2,600 per conceived child in tax year (TY) 2026, depending on their modified adjusted gross income (MAGI).
- State revenue losses from the exemptions to the SUT are expected to be between \$16 million and \$23 million per year, while corresponding local SUT revenue losses would range between \$4 million and \$6 million annually. Due to numerous simplifying assumptions, however, this estimate should be considered unavoidably rough.
- The total all-funds PIT revenue loss from the inclusion of conceived children in the definition of dependents is expected to approach \$6 million per year.

Detailed Analysis

The bill expands the list of child care items exempt from the sales and use tax (SUT) and the definition of a dependent, as applied against the personal income tax (PIT). The SUT exemptions under the bill include newly added child care categories, such as infant clothing and breastfeeding items, as well as expansions for already exempted items. The change to the definition of a dependent in the bill would allow taxpayers to claim a dependent exemption against the PIT for each of their conceived children, including if a pregnancy results in a miscarriage, unless the loss of the child occurred through an abortion or selective reduction.

Sales and use tax exemptions

The items excluded from the sales and use tax under the bill are broad categories of consumer child care items. Infant clothing, infant toys, bassinets, crib and bassinet sheets and blankets, play yards, therapeutic skin creams and wipes for children, pacifiers, teething rings, baby monitors, and breastfeeding items are all included for SUT exemption.

The most recent publication of the Consumer Expenditure Survey from the U.S. Bureau of Labor Statistics was utilized to compile estimates in the table below,¹ along with publicly available data from private market research firms, relevant periodicals, and consumer analytic publications. The provided estimates are unavoidably rough, as LBO is unaware of any reliable public sources which may be used to precisely estimate the Ohio sales tax collected from the range of items included in the bill's tax-exempt categories.

Estimated Yearly Sales and Use Tax Exemptions by Item			
Category	Exempted Purchases (in millions)	Estimated State Tax Loss (in millions)	Estimated Local Tax Loss (in millions)
Infant Clothing	\$175-\$220	\$10.1-\$12.7	\$2.5-\$3.2
Breastfeeding Items	\$35-\$50	\$2.0-\$2.9	\$0.5-\$0.7
Baby Care Items*	\$30-\$55	\$1.7-\$3.2	\$0.4-\$0.8
Infant Toys	\$20-\$50	\$1.2-\$2.9	\$0.3-\$0.7
Infant Furniture**	\$15-\$25	\$0.9-\$1.4	\$0.2-\$0.4
Baby Monitors	\$2.5-\$5.0	\$0.1-\$0.3	\$0.0-\$0.1
Total	\$277.5-\$405.0	\$16.0-\$23.3	\$4.0-\$5.8

*Pacifiers, teething rings, and therapeutic creams and wipes are categorized as baby care items.

**Infant furniture represents bassinets, along with sheets and blankets marketed for use with cribs and bassinets.

The state's portion of the sales and use tax loss from the listed child care item purchases is estimated to be between \$16 million and \$23 million. Counties and transit authorities are permitted to levy limited sales and use taxes in addition to the statewide 5.75% rate. As a result, these divisions of local government would incur added revenue losses, equal to about 25% of state sales tax revenue reductions stated on an all-funds basis. The overall annual SUT revenue loss to local and state governments is estimated to be between \$20 million and \$29 million; however, numerous simplifying assumptions were made to reach this estimate.

¹ U.S. Bureau of Labor Statistics: [2023 Consumer Expenditure Survey](#).

The SUT exemptions included in the bill would take effect beginning January 1, 2026, with state tax revenue losses expected in the second half of FY 2026.

Personal income tax exemption

The Ohio Department of Health (ODH) reported 126,813 live resident births in calendar year (CY) 2024.² As an estimated 15% of all known pregnancies end in spontaneous miscarriage,³ 22,379 miscarriages are expected to have occurred that year. The bill does not allow a conceived child to qualify for an exemption in the same year the child is born, as the child would already be eligible to be claimed as a dependent under continuing law. Assuming a nine-month average pregnancy gestation period for children carried full term, approximately three-fourths of estimated live births in any given year are expected to qualify for the conceived child exemption under the bill. All spontaneous miscarriages, however, would qualify for the expanded exemption, which excludes the loss of a child through abortion or selective reduction. This results in an estimated 117,489 additional qualifying exemptions, compared to baseline law.

Projected Personal and Dependent Exemption Amounts Applied Against the PIT for TY 2026*	
Ohio Modified Adjusted Gross Income (MAGI)	Exemption Amount (Deduction per Exemption)
\$40,000 or less	\$2,600
\$40,001 to \$80,000	\$2,350
\$80,001 or more	\$2,000

*The personal and dependent exemption amounts are typically adjusted for inflation each year according to R.C. 5747.025.

The estimated average revenue loss to the state from the addition of one exemption to a taxpayer's TY 2026 return is roughly \$51,⁴ resulting in a total revenue loss of \$6.0 million on an all-funds basis.

Local Government Fund and Public Library Fund

The state SUT and PIT losses would be shared by the GRF (96.60%), the Local Government Fund (LGF), and the Public Library Fund (PLF), both receiving 1.70%. Funds deposited into the LGF and PLF are distributed to counties, municipalities, townships, and public libraries according to statutory formulas.

The SUT provision is estimated to reduce combined LGF and PLF revenues in FY 2027 by between \$0.5 million and \$0.8 million, with revenue losses in FY 2026 at half that rate.

² Ohio Department of Health, Bureau of Vital Statistics: [Comprehensive Birth Database](#). 2024 data is listed as preliminary and subject to change.

³ Cleveland Clinic, Health Library: [Miscarriage](#).

⁴ Statistical Tabulation provided to LBO by the Ohio Department of Taxation, updated by LBO for TY 2026.

The PIT definition of a dependent would apply for TY 2026 and thereafter, with the majority of revenue losses expected beginning in FY 2027, when annual returns are due. The LGF and PLF would incur a combined loss of \$0.2 million per year, on behalf of the bill's PIT provision.